

Message Text

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46

ACTION ARA-10

INFO OCT-01 ISO-00 TRSE-00 AID-05 OMB-01 EB-07 AGR-05

SSO-00 NSCE-00 USIE-00 ARAE-00 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 CIEP-01

L-03 H-02 IGA-02 ABF-01 NSC-05 SS-15 STR-04 CEA-01

INRE-00 /086 W

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O 311525Z AUG 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC IMMEDIATE 8105

LIMITED OFFICIAL USE SANTO DOMINGO 04229

E.O. 11652: N/A

TAGS: EFIN, ETEL, DR

SUBJECT: PL 480 ARREARAGES

REF: (A) STATE 212027; (B) SANTO DOMINGO 4078

1. ANALYSIS CONTAINED REFTTEL (A) APPEARS SOUND AND IS HELPFUL TO US.
WE WOULD ONLY NOTE THAT WITH RESPECT TO THE DR'S DEBT SERVICE PAYMENT
S
AS A PERCENT OF EXPORTS OF GOODS AND SERVICES, THE CURRENT LOW RATIO
COULD CHANGE QUICKLY BECAUSE THE INCREASED VALUE OF THE DR'S EXPORTS
OF GOODS AND SERVICES OVER RECENT YEARS HAS BEEN MORE A FUNCTION
OF INCREASED PRICES THAN OF INCREASED QUANTITY OF EXPORTS. SHOULD
PRESENT LOW PRICE OF SUGAR PERSIST, SHOULD GOLD CONTINUE TO DROP
IN PRICE AND COFFE RETURN TO A MORE "NORMAL" PRICE, THE VALUE OF
THE DR'S EXPORTS WOULD DECLINE DRASTICALLY WITH CONCOMITANT
SHARP RISE IN THE DEBT SERVICE RATIO.

2. WE ARE APPRECIATIVE OF WASHINGTON'S ATTITUDE TO DR'S CURRENT
BALANCE OF PAYMENTS PROBLEMS. BOTH PRESIDENT BALAGUER AND CENTRAL
BANK GOVERNOR PERICHE APPEAR DETERMINED TO TAKE MEASURES, ESPECIALLY
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THOSE RECOMMENDED BY IMF EXDIR KAFKA, TO CORRECT THE B/P SITUATION.

WE UNDERSTAND THAT THE GODR HAS APPLIED FOR A LOAN FOR IMF COMPENSATORY FINANCING AND WILL DRAW DOWN ITS RESERVES AS WELL IN ORDER TO TRY TO COVER THE GAP. IT IS ALSO STUDYING MEASURES TO LIMIT IMPORTS OF LUXURY GOODS, SUCH AS LARGE AUTOMOBILES, AS WELL AS TO RESTRICT CREDIT. AFTER TAKING THESE STEPS, THE B/P SITUATION WILL STILL BE PRECARIOUS, AND A NEW PL 480 LOAN WOULD LEASE THE SITUATION.

3. WITH REGARD TO THIS LAST, WE HAVE NOW RECEIVED LETTER FROM RICOURT, DIRECTOR OF INESPRE, DESCRIBING AMOUNTS OF AGRICULTURAL PRODUCTS GODR WILL HAVE TO IMPORT DURING (1) OCTOBER-DECEMBER 1976 AND (2) CY 1977. THESE ARE FOR OCT-DEC 1976: 18,000 MT CORN AT AVERAGE PRICE OF US\$130 PER MT; (2) 20,000 MT RICE AT AVERAGE PRICE US\$250 PER MT; AND (3) 8,000 MT SOYBEAN OIL AT AVERAGE PRICE OF US\$600 MT. TOTAL VALUE FOR THIS PERIOD WOULD AMOUNT TO US\$12,140,000. FOR CY 1977 AMOUNTS REQUIRED ARE ESTIMATED TO BE: (1) 72,000 MT CORN; (2) 30,000 MT RICE; (3) 120,000 QUINTALS BEANS; AND (4) 24,000 MT SOYBEAN OIL. USING SAME AVERAGE PRICES DESCRIBED ABOVE, PLUS BEANS AT US\$20 PER QUINTAL, TOTAL VALUE OF THAT REQUIRED TO BE IMPORTED DURING CY 1977 IS ESTIMATED AT US\$33,903,000.

4. WE SHALL CONTINUE TO IMPRESS UPON GODR THAT IS FAILURE TO MAKE PL 480 PAYMENTS ON TIME LIMITS OUR ABILITY TO BE HELPFUL. IN THIS REGARD, AMBASSADOR WILL SEEK APPOINTMENT WITH PRESIDENT BALAGUER FOR EITHER SEPTEMBER 3 OR 6 TO PRESS THIS POINT HOME ONCE AGAIN. IT WOULD BE USEFUL IF PRIOR TO THE MEETING, DEPARTMENT COULD ASCERTAIN WHETHER, IF GODR WERE TO CLEAR UP ARREARAGES PROMPTLY, THE CHANCES OF THE DR RECEIVING SOME PL 480 PRODUCTS DURING FY 1977 WOULD BE "NIL," "FAIR," OR "GOOD."

5. LAST NIGHT AMBASSADOR DISCUSSED PL 480 ARREARAGES QUESTION WITH RAFAEL HERRERA, DISTINGUISHED EDITORIALIST OF THE PRESTIGIOUS LISTIN DIARIO. HE AGREED TO PUBLISH EDITORIAL BEFORE THE END OF THE WEEK STRESSING LINE THAT "KEEPING UP WITH PL 480 PAYMENTS IS GOOD BUSINESS, ESPECIALLY IN TIME OF TIGHT B/P SITUATION."
HURWITCH

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Message Attributes

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Margaret P. Grafeld
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